

Cache Valley Transit District



FINANCIAL STATEMENTS

For the Fiscal Year Ended
December 31, 2007

Bringing Communities Together

CACHE VALLEY TRANSIT DISTRICT
FINANCIAL STATEMENTS

December 31, 2007

CACHE VALLEY TRANSIT DISTRICT

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cache Valley Transit District
Logan, UT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cache Valley Transit District (the District) as of and for the year ended December 31, 2007, which comprises the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District, as of December 31, 2007, and the respective changes in financial position thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Jones Simkins, P.C.", followed by a period.

JONES SIMKINS, P.C.
April 30, 2008

CACHE VALLEY TRANSIT DISTRICT
Management's Discussion and Analysis
December 31, 2007

As management of the Cache Valley Transit District (the District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's government-wide financial statements are combined with the fund financial statements in one form. Significant differences between the government-wide financial statements and the fund financial statements are identified in Note 2 to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses could be reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,842,780 at the close of the most recent fiscal year, which is an increase of \$9,013,617 over the prior year.

CACHE VALLEY TRANSIT DISTRICT
Management's Discussion and Analysis
December 31, 2007

Cache Valley Transit District's Net Assets

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,981,313	986,377
Capital assets, net	<u>8,159,354</u>	<u>-</u>
Total assets	<u>10,140,667</u>	<u>986,377</u>
Current liabilities	285,887	157,214
Long-term liabilities	<u>12,000</u>	<u>-</u>
Total liabilities	<u>297,887</u>	<u>157,214</u>
Net assets:		
Invested in capital assets, net of related debt	8,159,354	-
Restricted	-	-
Unrestricted	<u>1,683,426</u>	<u>829,163</u>
Total net assets	\$ <u>9,842,780</u>	<u>829,163</u>

Cache Valley Transit District's Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Revenues:		
Sales tax	\$ 3,245,936	996,799
Federal and state grants	1,838,679	106,302
Charges for services	76,788	39,070
Other revenue	<u>66,823</u>	<u>34,460</u>
Total revenue	<u>5,228,226</u>	<u>1,176,631</u>
Expenses:		
Transit operations	4,029,266	1,009,330
Interest on short-term debt	<u>19,609</u>	<u>-</u>
Total expenses	<u>4,048,875</u>	<u>1,009,330</u>
Capital contributions	<u>7,834,266</u>	<u>-</u>
Increase in net assets	9,013,617	167,301
Net assets, January 1	<u>829,163</u>	<u>661,862</u>
Net assets, December 31	\$ <u>9,842,780</u>	<u>829,163</u>

In February, 2007, the City of Logan elected to be annexed into Cache Valley Transit District. As a result, the District's sales tax revenue increased for the expanded tax base. The District was also named as the official grantee for federal transit funds for the Cache Valley Urbanized Area. Federal grants for the area were awarded to the District as a result of this change. In addition, the City of Logan contributed certain current assets (\$660,966) to the District that were previously dedicated for Logan's transit service. The City of Logan also contributed capital assets acquired with federal funds to the District with an estimated fair market value at the date of contribution of \$7,173,300.

CACHE VALLEY TRANSIT DISTRICT
Management's Discussion and Analysis
December 31, 2007

The District entered into a contract to provide services to Preston, Idaho, with the City of Pocatello (PRT). As a result, PRT pays for a portion of the cost of services in Idaho. This contract was for most of 2007 and increased the charges for services.

Operating expenditures for 2007 increased for the annexation of the City of Logan. The District continued to offer the same transit services previously provided by the City of Logan. While most costs are not comparable due to the annexation of the City of Logan, the District did incur an increase in fuel costs. Legal costs were also significantly higher due to legal issues related to the annexation and the request by Lewiston City to annex into the District. Based on an election, Lewiston City elected to be annexed into the District. However, the annexation was not effective until January 1, 2008.

Certain comparative information is unavailable because the annexation of the City of Logan had a significant impact on the operation of the District. This comparative information will be provided in future years.

General Fund Budgetary Highlights

The District amended the original budget when the annexation of the City of Logan was completed.

The District's significant budget variances related to: 1) sales tax growth was stronger than expected because the economy was stronger than projected, 2) the District was not able to use a federal grant for certain capital asset acquisitions, 3) fuel costs were less than projected but still higher than the prior year, 4) maintenance savings were realized with the purchase of five new buses, and 5) the purchase of three small paratransit buses was delayed until the next year.

Capital Asset and Debt Administration

As noted previously, the City of Logan contributed capital assets with an estimated fair market value of \$7,173,300. In addition, the District acquired capital assets with a cost of \$1,540,528. Most of these assets were acquired with federal grants, which typically provide funding for 80% of the cost of the asset. The District has also committed to purchase five new fixed route buses and four new paratransit buses during fiscal year 2008. Federal grants have been awarded to provide financing for 80% of the cost of these assets.

There is no long-term debt. The only long-term liabilities relate to compensated absences.

Other Significant Events

The State of Utah mandated the exemption of food sales from sales tax for transit purposes effective January 1, 2008. However, the State allowed the sales tax rate to increase from .25% to .3%. If the percentage of food sales to total sales is 17% or greater, the District's sales tax revenue (before new growth) will decrease.

Requests for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Finance Director, 754 West 600 North, Logan, Utah 84321.

BASIC FINANCIAL STATEMENTS

CACHE VALLEY TRANSIT DISTRICT
Governmental Funds Balance Sheet / Statement of Net Assets
December 31, 2007

	General Fund	Adjustments (Note 2)	Statement of Net Assets
<u>Assets</u>			
Cash and cash equivalents	\$ 1,196,022	-	1,196,022
Due from other governments	732,491	-	732,491
Prepayments	12,800	-	12,800
Inventories	40,000	-	40,000
Capital assets, net of accumulated depreciation	-	8,159,354	8,159,354
Total assets	\$ <u>1,981,313</u>	<u>8,159,354</u>	<u>10,140,667</u>
<u>Liabilities</u>			
Accounts payable	\$ 254,635	-	254,635
Accrued expenses	21,252	-	21,252
Long-term liabilities:			
Due within one year	-	10,000	10,000
Due after one year	-	12,000	12,000
Total liabilities	\$ <u>275,887</u>	<u>22,000</u>	<u>297,887</u>
<u>Fund Balances / Net Assets</u>			
Fund balances:			
Reserved for inventory	\$ 40,000	(40,000)	-
Unreserved	1,665,426	(1,665,426)	-
Total fund balances	<u>1,705,426</u>	<u>(1,705,426)</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>1,981,313</u>		
Net assets:			
Invested in capital assets, net of related debt	\$	8,159,354	8,159,354
Restricted		-	-
Unrestricted		1,683,426	1,683,426
Total net assets	\$	<u>9,842,780</u>	<u>9,842,780</u>

The accompanying notes are an integral part of these financial statements

CACHE VALLEY TRANSIT DISTRICT
Statement of Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance / Statement of Activities
For the Year Ended December 31, 2007

	General Fund	Adjustments (Note 2)	Statement of Net Assets
Revenues:			
Taxes	\$ 3,245,936	-	3,245,936
Federal and state grants	1,838,679	-	1,838,679
Charges for services	76,788	-	76,788
Investment earnings	51,127	-	51,127
Miscellaneous	15,696	-	15,696
Total revenues	<u>5,228,226</u>	<u>-</u>	<u>5,228,226</u>
Expenditures / expenses:			
Current:			
Operations	2,906,764	22,000	2,928,764
Preventative maintenance	474,471	-	474,471
Facilities maintenance	71,557	-	71,557
Depreciation	-	554,474	554,474
Capital outlay	1,540,528	(1,540,528)	-
Debt service:			
Interest	19,609	-	19,609
Total expenditures / expenses	<u>5,012,929</u>	<u>(964,054)</u>	<u>4,048,875</u>
Excess of revenues over expenditures	215,297	964,054	1,179,351
Capital contributions	660,966	7,173,300	7,834,266
Change in fund balances / net assets	876,263	8,137,354	9,013,617
Fund balances / net assets:			
Beginning of the year	829,163	-	829,163
End of the year	<u>\$ 1,705,426</u>	<u>8,137,354</u>	<u>9,842,780</u>

The accompanying notes are an integral part of these financial statements

CACHE VALLEY TRANSIT DISTRICT
Notes to the Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Cache Valley Transit District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity

The Cache Valley Transit District (the District) was incorporated on November 21, 2000, under authority of Section 17B-2-215 of the Utah Code Annotated, as amended, for the purpose of providing a public mass transportation system for Cache Valley communities. The District's operations include bus service and paratransit service for the transit disabled. In February 2007, the District and the City of Logan finalized an agreement to annex the City of Logan into the District. Previously, the City of Logan operated its own transit service. In November 2007, the City of Lewiston voted to be annexed into the District.

The District is governed by a Board of Trustees, which is the legislative body of the District and determines all questions of District policy. Each municipality participating in the District appoints a member to the Board of Trustees. The District is not considered to be controlled or fiscally dependent on any other entity and therefore is not a component unit of another entity. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the governing board.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District. These statements have been combined with the fund financial statements because the District is a single-purpose government with minimal adjustments between the fund financial statements and the government-wide financial statements. The District's single purpose is classified as a governmental activity. Governmental activities are usually financed through taxes, intergovernmental revenues and other non-exchange revenues.

The District's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. The District currently has no restricted net assets.

CACHE VALLEY TRANSIT DISTRICT
Notes to the Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Additionally, long-term assets and long-term liabilities are recognized in the Statement of Net Assets.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenue considered to be susceptible to accrual is sales tax, government grants and certain contract revenues. The District's policy is to generally first apply restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The District currently only uses a general fund.

Sales Tax Revenues

As approved by the voters in serviced communities, a one-quarter of one percent sales tax is collected in these communities to provide the District with operating revenues for mass transit purposes. Sales tax revenues are accrued for the month in which the sales take place.

Cash and Cash Equivalents

Cash equivalents include amounts invested in the Utah Public Treasurers' Investment Fund.

Due From Other Governments

Due from other governments consists of amounts due to the District from sales tax collections, grant agreements and contractual services provided to other governmental entities. Management does not believe any credit risk exists related to these receivables.

CACHE VALLEY TRANSIT DISTRICT
Notes to the Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are valued at their fair market value or their estimated fair value on the date donated.

Depreciation has been calculated on each class of depreciable capital assets using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	20-50 Years
Equipment	3-20 Years
Vehicles	5-15 Years

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; environmental matters; damage to property and injuries to passengers and other individuals resulting from accidents and errors and omissions.

Under the Utah Governmental Immunity Act, the maximum statutory liability in any one accident is limited to \$1,000,000. The District has purchased third-party insurance to reduce the potential of loss due to accident or error. There has been no significant reduction in insurance coverage or settlements in excess of insurance coverage for the last three years.

Compensated Absences

The District's policies regarding compensated absences permit employees to accumulate earned but unused leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends and is reported with accrued expenses in the government-wide statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CACHE VALLEY TRANSIT DISTRICT

Notes to the Financial Statements

December 31, 2007

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund balance sheet. Capital assets are, however, reported in the government-wide statement of net assets. Capital assets balances were as follows:

Cost of capital assets	\$ 8,706,828
Accumulated depreciation	<u>(547,474)</u>
Net capital assets	\$ <u>8,159,354</u>

Because the focus of governmental funds is on short-term financing, certain liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Compensated absences liability of \$22,000 was the only liability meeting this criterion.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for these assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year. In addition, the contribution of capital assets is a nonfinancial resource and, therefore, is only reported in the Statement of Activities.

Capital outlay	\$ 1,540,528
Capital contributions	7,173,300
Depreciation expense	<u>(554,474)</u>
Difference	\$ <u>8,159,354</u>

Some expenses reported in the statement of activities do not require the use of current financial resources (compensated absences of \$22,000) and therefore are not reported as expenditures in governmental funds.

CACHE VALLEY TRANSIT DISTRICT
Notes to the Financial Statements
December 31, 2007

Note 3 - Cash and Cash Equivalents

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At December 31, 2007, the District's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Cash and cash equivalents:				
Demand deposits	\$ 936,526	-	-	936,526
Public Treasurer's Investment Pool	<u>-</u>	<u>259,496</u>	<u>-</u>	<u>259,496</u>
Total cash and cash equivalents	\$ <u>936,526</u>	<u>259,496</u>	<u>-</u>	<u>1,196,022</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District's policy is to comply with State law which requires the District to only maintain deposits with financial institutions approved by the State Money Management Council. At December 31, 2007, \$817,894 of the District's bank balances of \$917,894 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

CACHE VALLEY TRANSIT DISTRICT
Notes to the Financial Statements
December 31, 2007

Note 3 - Deposits and Investments (continued)

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2007, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all District investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

CACHE VALLEY TRANSIT DISTRICT
Notes to the Financial Statements
December 31, 2007

Note 3 - Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At December 31, 2007, all investments held by the District are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk is to use the PTIF whenever possible. As of December 31, 2007, all of the District's investments were in the PTIF.

CACHE VALLEY TRANSIT DISTRICT

Notes to the Financial Statements

December 31, 2007

Note 4 - Capital Assets

All capital assets relate to governmental activities. Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31</u>
Capital assets not being depreciated:				
Land	\$ -	1,150,000	-	1,150,000
Total capital assets not being depreciated	<u> -</u>	<u>1,150,000</u>	<u> -</u>	<u>1,150,000</u>
Capital assets being depreciated:				
Buildings and improvements	-	3,730,000	-	3,730,000
Equipment	-	251,987	-	251,987
Vehicles	<u> -</u>	<u>3,581,841</u>	<u>(7,000)</u>	<u>3,574,841</u>
Total capital assets being depreciated	<u> -</u>	<u>7,563,828</u>	<u>(7,000)</u>	<u>7,556,828</u>
Accumulated depreciation:				
Buildings and improvements	-	(142,662)	-	(142,662)
Equipment	-	(25,682)	-	(25,682)
Vehicles	<u> -</u>	<u>(386,130)</u>	<u>7,000</u>	<u>(379,130)</u>
Total accumulated depreciation	<u> -</u>	<u>(554,474)</u>	<u> -</u>	<u>(547,474)</u>
Net depreciable capital assets	<u> -</u>	<u>7,009,354</u>	<u> -</u>	<u>7,009,354</u>
Net capital assets	\$ <u> -</u>	<u>8,159,354</u>	<u> -</u>	<u>8,159,354</u>

Depreciation expense was charged directly to operations.

Prior to this fiscal year, all of the capital assets used by the District were held by the City of Logan. At the time of the annexation, the title to these assets (mostly acquired with federal funds) was transferred to the District. This contribution was recorded at the estimated fair value based on appraisals and comparisons to comparable assets.

CACHE VALLEY TRANSIT DISTRICT

Notes to the Financial Statements

December 31, 2007

Note 5 - Long-Term Liabilities

At December 31, 2007, the District had no outstanding long-term notes or bonds payable. The only long-term liability related to compensated absences. During the year, the District accrued approximately \$30,000 for compensated absences and related benefits, reduced the balance by approximately \$8,000 for benefits used, which resulted in a remaining balance of \$22,000. Of this amount, \$10,000 was considered to be due within one year.

Note 6 - Pension Plan

The District's pension plans comply with a federal law that requires the District to preserve and continue employee benefits, including pensions. For this purpose, the District established three defined contribution pension plans administered by a private third-party. The plans are designed to meet the legal requirements of the federal government and state law. The Employees Pension Plan covers all employees of the District and the contribution percentage is mandated by federal law. The Full-Time Employees Money Purchase Pension Plan and the 401(k) plan cover all employees over 21 years old and who work more than 1,000 hours during the year. All the plans allow the participants to direct the investment of their balance. The participant's benefit is limited to the balance of their account and subject to federal government regulations.

During the year, the District contributed \$16,572 to the Employees Pension Plan, \$28,165 to the Full-Time Employees Money Purchase Pension Plan and \$8,370 to the 401(k) plan. The employees contributed \$13,839 to the 401(k) plan.

Note 7 - Short-Term Notes Payable

During the year, the District borrowed \$1,000,000 to provide cash during a period when federal grants were being awarded to the District. The loan was fully repaid during the year.

Note 8 - Commitments

At year-end, the District had committed to purchase 4 small buses and 5 large buses. The total commitment for bus purchases was approximately \$1,780,000. Federal grants have been awarded that pay for 80% of the cost of these assets.

REQUIRED SUPPLEMENTARY INFORMATION

CACHE VALLEY TRANSIT DISTRICT

Budgetary Comparison Schedule

For the Year Ended December 31, 2007

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,020,958	3,150,000	3,245,936	95,936
Federal and state grants	23,721	2,425,000	1,838,679	(586,321)
Charges for services	-	75,000	76,788	1,788
Investment earnings	35,000	70,000	51,127	(18,873)
Miscellaneous	-	-	15,696	15,696
Total revenues	<u>1,079,679</u>	<u>5,720,000</u>	<u>5,228,226</u>	<u>(491,774)</u>
Expenditures / expenses:				
Current:				
Operations	1,079,679	3,102,000	2,906,764	195,236
Preventative maintenance	-	582,000	474,471	107,529
Facilities maintenance	-	100,000	71,557	28,443
Capital outlay	-	1,714,000	1,540,528	173,472
Debt service:				
Interest	-	20,000	19,609	391
Total expenditures / expenses	<u>1,079,679</u>	<u>5,518,000</u>	<u>5,012,929</u>	<u>505,071</u>
Excess of revenues over expenditures	-	202,000	215,297	13,297
Capital contributions	-	620,966	660,966	40,000
Change in fund balance	<u>-</u>	<u>822,966</u>	876,263	<u>53,297</u>
Fund balance - beginning of the year			<u>829,163</u>	
Fund balance - end of the year	\$		<u>1,705,426</u>	

CACHE VALLEY TRANSIT DISTRICT
Notes to the Required Supplementary Information
December 31, 2007

Note 1 - Budgetary Information

The District is required by State statute and the Uniform Fiscal Procedures Act for Special Districts to adopt an annual budget for the General Fund. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) for governmental funds.

The District adopts a preliminary budget at the November board meeting. A public hearing is held in December and the budget is adopted before December 31st. Copies of the proposed budget are made available for public inspection at least 10 days prior to the public hearing.

Budget amendments to increase or decrease overall expenditures are required to be subject to a public hearing and must be authorized by the Board. The District does not use encumbrances.

COMPLIANCE REPORTS SECTION

CACHE VALLEY TRANSIT DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grant Number	Program or Award Amount	Amount Expended
U.S. Department of Transportation (DOT)				
Direct:				
Federal Transit - Capital Investment Grants	20.500	UT-04-0008	\$ 228,000	\$ 228,000
Federal Transit - Formula Grant	20.507	UT-90-X054	999,516	979,516
Federal Transit - Formula Grant	20.507	UT-90-X055	1,063,410	231,168
Pass-through Utah State Department of Transportation:				
Formula Grants for Other Than Urbanized Areas	20.509	078297	383,200	334,053
Formula Grants for Other Than Urbanized Areas	20.509	088161	742,600	<u>65,942</u>
Total DOT				<u>1,838,679</u>
Total expenditures of federal awards				<u>\$ 1,838,679</u>

CACHE VALLEY TRANSIT DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Note 1 - Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Note 2 - Significant Accounting Policies

Basis of Accounting

The information in the Schedule is presented in accordance with OMB Circular A-133. The schedule is prepared using the same accounting policies and basis of accounting as the fund financial statements in the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal awards as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes the levels of expenditures or expenses and other criteria to be used in defining major federal programs. The federal awards tested as major programs were CFDA numbers 20.500, 20.507 and 20.509.



Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Cache Valley Transit District
Logan, UT

We have audited the financial statements of the governmental activities and each major fund of Cache Valley Transit District (the District) as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Trustees, others within the organization, federal awarding agencies and pass-through entities, and State agencies and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
April 30, 2008



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Cache Valley Transit District
Logan, Utah

Compliance

We have audited the compliance of Cache Valley Transit District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency in internal control, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
April 30, 2008

Cache Valley Transit District
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

A. Summary of Auditors' Results:

1.	Type of auditors' report issued	Unqualified
2.	Internal control over financial reporting: Material weaknesses identified:	None
	Significant deficiencies identified that are not considered to be material weaknesses:	None
3.	Non-compliance material to financial statements noted:	None
4.	Internal control over major programs: Material weaknesses identified:	None
	Significant deficiencies identified that are not considered to be material weaknesses:	None
5.	Type of auditors' report issued on compliance over compliance with major programs:	Unqualified
6.	Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	None
7.	Federal programs tested as major programs:	Federal Transit – Capital Investment Grants and Federal Transit – Formula Grants CFDA#'s 20.500 and 20.507) Formula Grants for Other Than Urbanized Areas (CFDA # 20.509)
8.	Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
9.	Auditee qualification as high or low risk:	High

Cache Valley Transit District
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

- B. Findings related to the financial statements required to be reported in accordance with Government Auditing Standards

None

- C. Findings and questioned costs related to federal awards required to be reported in accordance with OMB Circular A-133

None

CACHE VALLEY TRANSIT DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2007

There were no findings in the prior year.

CACHE VALLEY TRANSIT DISTRICT
Corrective Action Plan
For the Year Ended December 31, 2007

There were no findings for the December 31, 2007 audit.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Board of Trustees
Cache Valley Transit District
Logan, UT

We have audited the financial statements of the governmental activities and each major fund of the Cache Valley Transit District (the District) for the year ended December 31, 2007, and have issued our report thereon dated April 30, 2008. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2007.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2007.

A handwritten signature in cursive script, reading "Jones Simkins, P.C.", written in black ink.

JONES SIMKINS, P.C.
April 30, 2008